EXHIBIT C

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-51622

VELCERA, INC.

(Name of small business issuer in its charter)

Delaware	**20-3327015**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification Number)

777 Township Line Road, Suite 170, Yardley, Pennsylvania 19067
(Address of principal executive offices)
(Zip Code)

267-757-3600
(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.001 per share

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☒

The issuer's revenues for its most recent fiscal year were: $1,414,886

The aggregate market value of common stock of the Company held by persons not "affiliated" with the issuer at March 21, 2008 was approximately $11,163,000 based on the closing price of $1.02 per share. As of March 21, 2008, 12,039,804 of common stock were issued and outstanding.

Transitional Small Business Disclosure Format: Yes ☐ No ☒

Indicate by check mark whether the registrant is shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

Our second Promist™ product, VEL502 with Promist™ is for use in the treatment of pruritus associated with canine allergies. Canine allergy is one of the most common complaints of dog owners and manifests itself in the form of a skin irritation which causes the animal to scratch (pruritus). Scratching can range from moderate to severe and can cause irritation, hair loss, bleeding, infection and can keep owners awake at night. Canine allergy is a complex disease with many underlying causes and current therapy involves various combinations of treatments depending on the severity. Currently, the most common treatment methods call for a long term regimen of immunosuppressants, such as steroids which can have significant side effects. We believe VEL502 is addressing a significant unmet need in canine health and has the potential to be administered to up to 1 million dogs per year.

The parasiticide market had a value of approximately $3.3 billion, world wide in 2005, making it the single most valuable sector within the animal health market and therefore probably the most competitive. Dogs and cats face challenges from a range of both internal and external parasites. Even modest parasite populations can affect the condition and well being of host animals while, left unchecked, some parasites can eventually cause severe health problems and even death. Effective parasite control is essential to the health and welfare of pets. Broad categories of internal parasites include intestinal nematodes, tapeworms, heartworms, lungworms and protozoa. Broad categories of external parasites include fleas, ticks, mites and lice.

Company Strategy

Our primary business strategy is to create new and/or improved pet medicines from existing active ingredients in human or animal health that are patent protected and/or differentiated and creatively marketed to effectively and efficiently reach veterinarians and pet-owners.

We are developing new and novel pet medicines based upon our patented oral mucosal drug delivery technology, Promist™. We also believe that existing medications may be made more convenient and effective by the use of this technology. It has been our strategy to identify those potential active ingredients, formulate them into an acceptable, effective product and perform laboratory and clinical studies to show efficacy. After proof of concept, our goal is to initiate development programs and at an appropriate value inflection point plan to negotiate and enter into development and/or commercialization agreements with animal health companies in order to bring the finished product to market. Currently, we are focusing resources on our first two Promist™ products to maximize the value of these products to potential license partners and shareholders in the near term.

We are also exploring opportunities beyond the use of Promist™ and have created a subsidiary to evaluate a broader range of potential pet health product candidates. These include parasiticides for dogs and cats, currently the largest product segment in pet health. At this early stage we have identified potential candidates for further investigation. We have met with the regulatory agency responsible for approving these products which has provided insight into the potential regulatory pathways for one potential product candidate. Due its overall market size, we intend to focus more resources in the coming periods in order to develop potential product candidates for the parasiticide market that we expect can increase shareholder value.

Products and Technology

Promist™:

Our Promist™ delivery technology is not currently offered commercially in veterinary medicine. With the application of a fine mist to the oral mucosa, the Promist™ delivery technology allows a given drug to enter the systemic blood stream. The benefits of this delivery over conventional ingested forms are: (a) unique pharmacokinetic characteristics of speed of absorption as well as increased drug bioavailability due to avoidance of the ‘first-pass’ liver metabolism, (b) convenience of dosing with no need for the ‘patient’ to swallow, (c) confidence of dosing with nothing to be spit-out or expelled, (d) potential for improved side affects by the avoidance of the gastrointestinal system, and (e) extended product lifecycle via patented, novel delivery. The pharmacokinetic characteristics of a Promist™ -based product are also dependent